

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 INT-05 /025 W
-----110423Z 000649 /16

R 101313Z MAY 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 1285
USDOC WASHDC

UNCLAS SECTION 1 OF 2 LISBON 3692

DEPARTMENT PASS BUREAU OF MINES:
INTERNATIONAL DATA AND ANALYSIS DIVISION FOR R.V. SONDERMEYER

E.O. 11652: N/A
TAGS: BENC, EMIN, PO
SUBJ: MAJOR EXPORT PROJECT: ALJUSTREL PYRITE MINES

REF: (A) 75 LISBON A-203
(B) 76 LISBON A-268
(C) LISBON 0183

SUMMARY: GOP IS PREPARING EXPANSION OF ALJUSTREL PYRITE MINES
TO EVENTUAL ANNUAL PRODUCTION OF UP TO 2 MILLION TONS.
FIRST PHASE OF PROJECT, TO BEGIN NEXT YEAR, WILL OFFER FOREIGN
SUPPLIERS POSSIBILITIES OF \$60 MILLION IN CONTRACTS.
SECOND PHASE WILL OFFER OPPORTUNITIES FOR PROVIDING PROCESSING
TECHNOLOGY.
END SUMMARY.

1. PORTUGAL'S SOUTHERN ALENTEJO REGION HAS PYRITE DEPOSITS
ESTIMATED TO TOTAL SOME 240 MILLION TONS (33 MILLION TONS PROVEN).
THEY ARE LOCATED PRIMARILY AT ALJUSTREL (50 MILES EAST OF THE
SINES INDUSTRIAL COMPLEX). SOME 5 MILLION TONS ARE AT LOUSAL/
CAVEIRA, ABOUT 20 MILES NORTH OF ALJUSTREL. DUE TO THE
APPROXIMATE 60 PERCENT ANGLE OF THE FORMATION, THE DEPOSITS
ARE MINED BY DEEP SHAFT. CURRENTLY, ANNUAL PRODUCTION AND
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EMPLOYMENT IN THE TWO LOCATIONS TOTAL, RESPECTIVELY, ABOUT
500,000 TONS AND 1300 MEN; ABOUT 2/3 OF EACH FIGURE IS FOR
ALJUSTREL.

2. THE ALJUSTREL DEPOSITS FORMERLY WERE WORKED BY PIRITES
ALENTEJANAS, SARL (OWNED BY COMPANHIA UNIAL FABRIL (CUF) AND
SOCIEDADE MINEIRA DE SANTIAGO, SARL. AFTER A MERGER OF

THE TWO COMPANIES, THE GOP NOW HOLDS 90 PERCENT OF THE NEW ENTERPRISE - PIRITES ALENTEJANAS, - WITH THE REMAINING 10 PERCENT HELD BY THE BELGIAN FIRM SOGEMINOUS. THE LOUSAL/CAVEIRA MINES ARE WORKED BY THE BELGIAN-OWNED FIRM MINES ET INDUSTRIES SA.

3. THE MINES' PRODUCTION HAS BEEN SOLD LARGELY TO THE PORTUGUESE FIRMS CUF, AMONIAO PORTUGUES, AND SAPEC, FOR EXTRACTION OF SULPHURIC ACID TO MANUFACTURE FERTILIZERS. AS DOMESTIC REQUIREMENTS HAVE GROWN, EXPORTS (236,000 TONS IN 1970, PRIMARILY TO BELGIUM) HAVE FALLEN. AFTER EXTRACTING THE SULPHURIC ACID, CUF FORMERLY PROCESSED THE RESULTING CINDERS INTO 220,000 TONS A YEAR OF "PURIFIED" PYRITE CINDERS (60 PERCENT IRON OXIDE) FOR SALE TO THE NATIONAL STEEL PLANT, SIDERURGIA NACIONAL (SN). THE HIGH LEVEL OF IMPURITIES (ESPECIALLY LEAD) AND THE FINENESS OF THE CINDERS, HOWEVER, PROVED EXCESSIVE. CUF THUS HAS ACCUMULATED ABOUT 700,000 TONS OF CINDERS.

4. TO IMPROVE ITS UTILIZATION OF THE PYRITES CUF IS CONSTRUCTING:
-- A REDUCTION PLANT, USING THE JAPANESE KOWA-SEIKO METHOD, TO TRANSFORM THE CINDERS INTO IRON PELLETS. BUDGETED AT NEARLY 1.5 BILLION ESCUDOS (\$49.6 MILLION AT THE AVERAGE EXCHANGE RATE OF 30.223/DOLLAR FOR 1976, WHEN THE PROJECT WAS STARTED), THE FACILITY WILL BE PARTIALLY FINANCED THROUGH A \$23 MILLION LOAN FROM THE EC'S EUROPEAN INVESTMENT BANK. USING BOTH THE EXISTING STOCKPILE OF CINDERS AND INCREASED PYRITE PRODUCTION, THE PLANT WILL BE DESIGNED TO PRODUCE 342,000 TONS OF PELETS A YEAR, EQUAL TO 200,000 TONS OF IRON, OR 50 PERCENT OF SN'S CURRENT CONSUMPTION. THE CINDERS WILL ALSO YELD 1,200 TONS OF COPPER, 2,070 TONS OF LEAD, 7,000 TONS OF ZINC HYDROXIDE
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(EQUAL TO 4,200 TONS OF ZINC), 213 KILOGRAMS OF GOLD AND 4,623 KILOGRAMS OF SILVER. THIS PROJECT IS DESCRIBED IN REF. (C).
-- A NEW SULPHURIC ACID PLANT, TO PRODUCE 250,000 TONS A YEAR. DURING THE FIRST 5 YEARS OF PRODUCTION, 120,000 TO 140,000 TONS A YEAR ARE TO BE EXPORTED.

5. THE GOP CURRENTLY PLANS TO AUGMENT GREATLY THE PRODUCTIVE CAPACITY OF THE ALJUSTREL MINES. PLANS FOR THE EXPANSION HAVE NOT BEEN COMPLETED, BUT THE GOP'S IRON PYRITES COMMISSION FORESEES TWO PHASES OF DEVELOPMENT:
-- IN THE FIRST PHASE, ALJUSTREL'S EXISTING ANNUAL CAPACITY OF 400,000 TONS WILL BE INCREASED TO 1.4 MILLION TONS. CONSTRUCTION SHOULD BEGIN IN 1978 AND BE COMPLETED BY 1980-1981 (I.E. 2 1/2 YEARS). THE FIRST PHASE IS ESTIMATED TO COST (AT 1976 PRICES) 4.5 BILLION ESCUDOS (\$149 MILLION AT THE AVERAGE 1976 RATE). CONTRACTS COVERING ABOUT \$60 MILLION OF THE PROJECT'S COST ARE EXPECTED TO BE AWARDED TO FOREIGN SUPPLIERS. THESE CONTRACTS WILL BE PRIMARILY FOR EQUIPMENT, E.G. \$20 MILLION FOR GRINDING AND BORING EQUIPMENT.

-- DURING THE CONSTRUCTION OF THE FIRST PHASE, THE COMMISSION IS TO DETERMINE THE BEST HYDROMETALLURGICAL AND FLOTATION PROCESSES TO INSTALL FOR PROCESSING THE PYRITES. THE COST OF THE SECOND PHASE, AGAIN AT 1976 PRICES, IS TENTATIVELY ESTIMATED AT \$132 MILLION. FOREIGN CONTRACTORS CAN PROBABLY EXPECT TO WIN A LARGE SHARE OF CONTRACTS FOR THIS PHASE. THE PYRITES COMMISSION CURRENTLY IS ARRANGING AID TECHNICAL ASSISTANCE FUNDING FOR A 3 WEEK INVESTIGATORY TRIP TO THE U.S. BY 3 ENGINEERS, DURING WHICH THEY WILL CONTACT US PUBLIC AND PRIVATE ENTITIES.

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6. IN THE SECOND PHASE, INVESTMENT IN THE ALJUSTREL PROJECT ITSELF CAN BE EXPECTED TO EXCEED \$300 MILLION. IN ADDITION, HEAVY INVESTMENTS ARE BEING MADE IN THE CUF PLANT (SEE PARA 4), AND ARE PLANNED FOR UPGRADING THE RAILROAD LINES SERVING ALJUSTREL. ACCORDING TO A 1976 GOP REPORT, TOTAL ANNUAL REVENUE (BASED ON A PROPOSED EVENTUAL ANNUAL PRODUCTION OF 2 MILLION TONS) WAS PROJECTED AT 6.15 BILLION ESCUDOS (\$203 MILLION AT THE 1976 AVERAGE RATE), INCLUDING (IN MILLIONS OF DOLLARS):

COPPER	- \$19.9
LEAD	- \$ 6.6
ZINC	- \$46.3
SULPHURIC ACID	- \$96.0
IRON PELLETS	- \$23.2
GOLD	- \$ 5.0
SILVER	- \$ 6.6

7. BIDDING FOR THE FIRST PHASE MINING EQUIPMENT IS EXPECTED TO BE OPENED BEFORE THE END OF 1977. THE PYRITES COMMISSION WILL MEANWHILE BE INVESTIGATING TREATMENT AND PROCESSING TECHNOLOGY. INTERESTED U.S. COMPANIES MAY WISH TO CONTACT THE FOLLOWING:

ENG. LIMPO DE FARIA
SOCIEDADE MINEIRA DE SANTIAGO
CALCADA DA ESTRELA, 84-4
LISBON 3, PORTUGAL
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OR

ENG. FERNANDO ALVES DA SILVA
COMISSAO PARA APROVEITAMENTO INTEGRAL DAS PIRITES (C.P.P.)
RUA COVA DA MOURA, 2-4 DTO.
LISBON, PORTUGAL

8. FOR BUMINS: ALVES DA SILVA TRANSMITTED TO US THE PYRITES
COMMISSION'S GRATITUDE FOR THE ASSISTANCE GIVEN TO THE MINES
ENGINEER WHO VISITED YOUR SALT LAKE CITY INSTALLATIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT PROGRAMS, MINING INDUSTRY
Control Number: n/a
Copy: SINGLE
Sent Date: 10-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770165-0214
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770575/aaaacmnt.tel
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Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6f174597-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 LISBON A-203, 76 LISBON A-268, 77 LISBON 183
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2585257
Secure: OPEN
Status: NATIVE
Subject: MAJOR EXPORT PROJECT: ALJUSTREL PYRITE MINES
TAGS: BENC, EMIN, PO
To: STATE COM
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6f174597-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009